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U.S. Cotton picker.

Cotton Weathers the Crisis

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U.S. cotton picker harvests crop, which could total 9 million bales this year, 22 percent below 1974's harvest. U.S. cotton consumption, however, is slated to recover by a million bales in the 1975/76 marketing year. See article beginning page 3.

Earl L. Butz, Secretary of Agriculture

Richard E. Bell, Assistant Secretary for International Affairs and Commodity Programs

David L. Hume, Administrator, Foreign Agricultural Service

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Butz Sees Trade Growth In East Europe, Mideast

Secretary of Agriculture Earl L. Butz, recently returned from a trip to Eastern Europe and the Middle East, has predicted that growing demand for protein foods "will bring those countries increasingly into the market for feedstuffs produced on American farms.

"Even in centrally planned economies," the Secretary said, "governments are responding to consumer demands for higher quality and greater variety in diets. In most cases, this will require increased imports of feedgrains and proteins."

Secretary Butz visited Iran, Israel, Yugoslavia, Romania, Hungary, and Poland. The visit to Poland resulted in a U.S.-Polish understanding on future grain trade between the two countries.

"The Minister of Agriculture of Romania told me that 'you have something more powerful than the atomic bomb—soya.' Romania plans to double its production on livestock and poultry," the Secretary noted, "and cannot do it entirely with feedstuffs produced at home.

"In Bucharest, I had a very good talk with President Ceausescu, who is quite directly and personally involved in the trade and development plans of his country. Romania is agricultural, with good basic resources. The Romanians are working very hard to improve their agriculture, and we are cooperating on the basis of the two protocols signed here last September for exchange of technical and economic information. Romanian agriculture officials will come to Washington in January to discuss further plans for this work.

"In Poland, we signed an exchange of letters in which Poland stated its intention to buy from the United States 2.5 million tons of grain a year, give or take 20 percent, in each of the next 5 years. For our part, we stated our intention to supply Poland's present and future demand for U.S. grains, subject to supply availabilities in this country.

"Israel is also interested in establishing quantity goals for imports of grains and soybeans from the United States. Her Minister of Commerce and Industry recommended the establishment of trade targets for the coming 3 years for wheat, feedgrains, and soybeans. We emphasized to the Israelis that U.S. agriculture is now producing without government restraints and that our intention is to meet the needs of our traditional customers, including Israel.

"In Iran, we discussed the agreement for technical cooperation developed with the United States over the past 2 years. We discussed a proposal for a regional research center that would be located in Iran but might serve other countries of the Middle East. We will be working on a more specific plan for that project and other work under the U.S.-Iran agreement. I had the privilege of an audience with the Shahanshah, who discussed in considerable detail his country's agricultural goals and the food and energy needs of the world.

"In the year that ended last June 30, Iran moved into the 'top 10' among foreign customers for U.S. farm products, with purchases of $757 million. Middle East countries from Iran to Libya have expanded imports of farm products almost 10-fold in value since 1969.

"... there is tremendous interest in (U.S.) agriculture ... as a supplier of farm products and as an example ... of success."

The Secretary emphasized that in that part of the world, there is a noticeable awakening of concern among countries over the future food needs of their populations. In most Mideast countries, farm production per capita is below levels of the early 1960's, due to population growth and limited prospects for expanding cropland. Along with large gains in foreign exchange generated by petroleum exports, these countries have adopted policies to increase expenditures for basic consumer goods.

"In Yugoslavia and Hungary," he said, "we visited some of the large 'factory-type' farms that those countries have developed. Both Yugoslavia and Hungary are doing impressive work in grain research, some of it in cooperation with the United States, and we reviewed some of these programs. In all

of these countries, there is tremendous interest in American agriculture, both as a supplier of farm products and as an example to the world of success in food production.

"For several years, East European countries have been expanding imports of U.S. soybean meal to supplement their increased livestock and poultry feeding. This year, with normal grain imports from the Soviet Union virtually cut off, East Europe has expanded grain imports from the United States. U.S. grain exports to those countries in the 1975/76 marketing year are estimated at 7.5 million metric tons."

In Europe, Secretary Butz also attended part of the biennial conference of the Food and Agriculture Organization (FAO) in Rome November 11-13, where he headed the U.S. delegation and presented the statement of the United States. He ended the trip last Friday in London, where he had talks with agricultural leaders of the United Kingdom and addressed the National Farmers Union of that country.

In that talk, the Secretary discussed U.S. goals in the multilateral trade negotiations, now under way in Geneva. "The major negotiating thrust," he said, "should be directed at nontariff barriers —a form of restriction to which agricultural products are especially vulnerable.

"We believe that these barriers can be eliminated or reduced only if agriculture and industrial matters are negotiated together, not separately as they were in the Kennedy Round. We are often told that this is a procedural matter, of little consequence to the substantive accomplishments likely to come out of the MTN's. We feel that the issue is much more important than that.

"If we who represent American agriculture are required to negotiate in an 'agriculture only' forum, there is little that we can accomplish. The reason is that the United States—while not without its own trade restrictions—does in fact maintain a relatively low level of protection against farm product imports. Therefore we have less to offer in exchange for concessions in other markets.

"If a lowering of trade barriers is a genuine goal, U.S. negotiators must be able to offer concessions in the U.S. industrial market for concessions in foreign agricultural markets. We are not seeking special benefits for our agriculture but rather a general lowering of trade barriers."

Joseph H. Stevenson, Director of Foreign Cotton Analysis, FAS, is cautiously optimistic about the prospects of an upturn in foreign demand for U.S. cotton in the coming year.

Cotton Weathers the Crisis

THE WORLD TEXTILE recession, which dealt a severe blow to cotton consumption, trade, and prices, is abating. In the United States, the recession is being robbed of its virulence by an economic upturn that is spurring cosumer demand for cotton textiles. Consumers who "did without" last year are resuming their purchases of cotton clothing and household items—albeit cautiously. Foreign mills are working down their bulging inventories of cotton, anticipating an upturn in cotton demand by 1976. Evenutally, many will reenter the world market to purchase cotton.

Yet caution is in order, since the key to demand improvement this year and next still lies in the speed and strength of the overall world economic comeback. Any weakness in this general recovery will, of course, impede the recovery in world cotton use.

Looking ahead, we now see world cotton consumption in 1975/76 (August-July marketing year) rising by some 2-3 million bales above last season's low 58.1 million, barring world economic setbacks. The United States is spearheading the recovery—a million-bale advance in consumption is projected—the first rise since 1971. Demand improvement is likely to spread to the Far East by early 1976 and to Western Europe possibly by mid-1976.

The slow-but-sure upturn in world cotton demand will not, however, translate immediately into a surge in U.S. export sales. Strong competition is in view from other cotton-exporting countries that hold large stocks. This, coupled with currently uncompetitive U.S. prices, is expected to hold U.S. exports in 1975/76 near or somewhat below last season's 3.9 million bales. U.S. exports are currently forecast from 3.5 to 4 million bales, with the lower end of the range most likely.

The 1974/75 season was not a good one for cotton. World production rose to a record 63.2 million bales, but the worldwide textile recession pressured consumption down by nearly 3 million bales. As a result, by August 1, world carryover stocks rose to a 10-year high —a little over 30 million bales.

In 1975/76, we expect these trends to be reversed, although no sharp recovery is in view. Latest estimates indicate that world cotton production in 1975/76 may slide to 57.3 million bales—lowest in 5 years. Supplies, however, will still be more than adequate to meet rising consumption needs, owing to huge carryin stocks. In fact, last season's 5-million-bale stock buildup offsets a large part of this season's expected 6-million-bale production downturn.

Foreign cotton developments will continue to bear heavily on U.S. cotton export prospects and prices this season. Recent reports from U.S. Agricultural Attachés and other sources in cotton-producing and consuming countries point to the following trends in 1975/76:

- High foreign stocks will be worked down.
- Foreign production will decline by 3.5 million bales and maybe even more, depending on weather conditions through the harvest season.
- Foreign consumption will rise by 2 million bales.
- Foreign exports will rise by 900,000 bales.

Stocks. Despite the projected production falloff in 1975/76, bulging world cotton stocks will keep world cotton supplies only 1 percent below last season's level. Foreign stocks have trended up gradually in recent years. But they rose sharply by 3 million bales to 24.4 million on August 1, 1975. Nearly half those stocks were in foreign, non-Communist exporting countries. Smaller production and higher consumption should work the large foreign stocks down by about 2.5 million bales—still a near-record—by the end of the marketing year.

Most of the stock buildup is concentrated abroad. Reading the United States into the equation, however, world stocks could settle at around 26 million bales by end-1975/76—still second highest in 9 years.

Production. In 1975/76, foreign production is forecast to dip about 3.5 million bales below last season's record 51.7 million, returning to about the level of the early 1970's. The decine will be sharpest in the Northen Hemisphere cotton-exporting, high-technology countries, particularly Mexico, Central America, and Turkey.

Disappointing returns from cotton last season convinced many farmers to switch to other crops this season. In one or two countries, such as Mexico, governments encouraged planting of food crops at the expense of cotton.

In Southern Brazil, drought that delayed planting and low prices last season have prompted farmers now sowing cotton to cut acreage sharply. Area planted could fall 10-20 percent below last season's.

In the USSR, early-season expectations were for a crop near last season's 12.9 million bales. But damage from unseasonable cold weather in October has reduced the present crop estimate to 12.6 million bales.

In the United States, the November 1 crop forecast targets cotton production at 9 million bales (including 65,300 of American Pima), 22 percent below 1974's crop. The U.S. decline is occuring for much the same reasons as in other countries—poor returns last season, rising production costs, and waning demand.

Consumption. In the foreign free world, cotton consumption is expected to recover about 1.6 million bales of the 2.2 million lost last season. A little over half of the gain will occur in the foreign non-Communist exporting countries, where increasing textile exports compete with U.S. raw cotton exports in foreign markets, notably Western Europe. Most of the remainder of the increase in cotton use will occur in the Far East.

But depressed West European industries do not foresee any pickup in demand this season. And Communist countries will likely continue the small gains in cotton use experienced during the past decade.

Foreign textile industries continue to be squeezed between reduced demand and increasing competition from cheaply priced foreign textile imports, particularly in Japan and Western Europe. Textile production costs remain high, while most spinners consider that cotton prices are unrealistically high in relation to yarn prices.

"Strong competition . . . coupled with currently uncompetitive U.S. prices, is expected to hold U.S. cotton exports in 1975/76 near or somewhat below last season's 3.9 million bales."

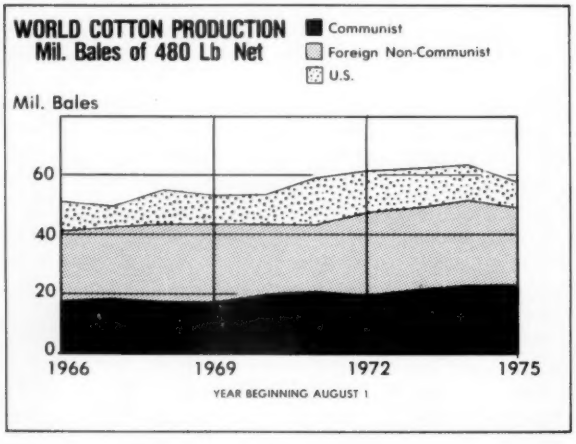
Many foreign mills have shortened work shifts in an effort to hold expensive textile stocks near minimum levels. Mills have also reduced raw cotton stocks. These inventory reductions have not been completely successful, but should orders begin to pick up, mills are likely to initiate purchases fairly rapidly.

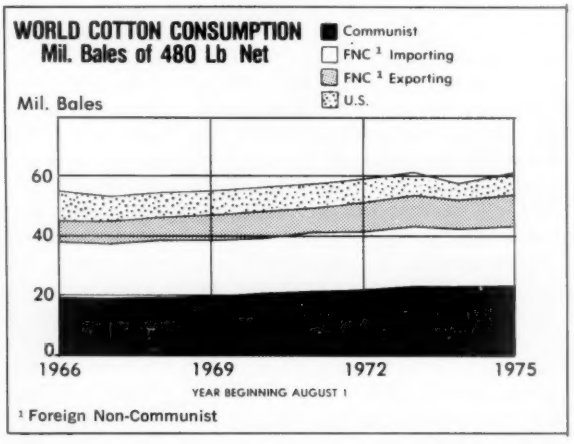
World trade. The current outlook is for a 1.1-million-bale increase in exports from foreign free-world exporting countries over last season's low 9 million bales. That level was nearly 3 million bales below the high of 11.9 million achieved in 1972/73 when Western industrial countries experienced a simultaneous commodity boom. Competition from foreign non-Communist exporting countries could force a downturn in U.S. exports. Coupled with small declines in other countries, this suggests an aggregate rise in world trade of only 700,000 bales.

Several foreign non-Communist exporting countries posted higher sales last season than originally anticipated, owing primarily to more realistic marketing policies than in 1973/74. That year, several countries held cotton off the market when prices were rising; when they finally decided to reenter the market, prices and demand had turned down. The United States profited from that situation by boosting its exports in 1973/74 to 31 percent of world trade, compared with a more normal 20-25 percent.

U.S. exports. In a given year, U.S. exports are usually about equal to the difference between foreign consumption and production, plus or minus stocks changes. According to this formula, U.S. exports in 1975/76 will range between 3.5-4 million bales, and most likely will be below last season's 3.9 million.

Through November 16, the United States counted 2.2 million running bales in 1975/76 export commitments —1.3 million bales in outstanding sales, and 900,000 in actual exports. Since about 1.9 million running bales were carried forward from last season for delivery in 1975/76, new sales in the first 3½ months of the crop year totaled nearly 300,000 bales. This rate





will have to pick up if the United States is to achieve the current export forecast.

Fortunately, the U.S. Government and the cotton industry working together were able to move toward solution of last season's cotton contract problems by negotiating with Far Eastern countries.

At present, world prices are rather insensitive to supply and demand. Intervention in cotton marketing by some foreign governments during the last 2 seasons is a new factor in the world cotton economy. High August 1 carryover in foreign exporting countries reflected: Producer price supports, attempts to maximize foreign exchange earnings, and efforts to minimize losses that would result from selling stocks at recently prevailing prices.

Prices quoted on import markets for cotton—both from the United States and from competing countries—rose 8 to 10 cents per pound between January and July 1975. From July through September, world cotton prices held firm to steady, while U.S. prices rose 4 cents in the Far East and 7 cents in Europe. The strength of U.S. prices reflected improvement in domestic demand, smaller U.S. suppy prospects, and, in Europe, often-nominal price determinations influenced by the New York futures market.

The steadiness of quotations from competing countries reflects above-normal stocks in some areas and continued light demand. With increased foreign government intervention and light demand, the upward price movements of several competitive growths slackened in June and July, after rebounding to levels about equal to early-season asking prices of a year ago. Since then they have remained steady.

U.S. export prices became somewhat more competitive in October when spot and New York futures prices weakened. They have since gained 3 cents a pound, however, following the turnaround in prices in November.

Unless demand rises strongly, it seems unlikely that foreign asking prices will strengthen. On the other hand, a really strong thrust in demand could cause competitors to again increase prices substantially and restrain forward sales.

Longer term outlook. The situation so far calls for caution in assessing foreign cotton demand and U.S. export prospects for the current season. But early indications are for better world economic prospects and therefore a brighter outlook for cotton later in 1976. Some positive pointers:

- Inflation has slowed in the United States, in Japan—top U.S. cotton customer—and in some European countries.
- While anti-recessionary policies in a number of countries have bitten deeply into consumer demand, many governments are now considering policies to increase real income, which should mean growing consumer demand for textiles.
- Textile inventories have been reduced from former high levels throughout the textile chain in some foreign importing countries. As soon as order books begin to lengthen, textile industries are expected to reenter the market fairly rapidly.

"The key to demand improvement (for cotton) this year and next still lies in the speed and strength of the world economic comeback."

- Cotton is temporarily priced below manmade fibers.

This should be tempered with several cautions:

- The pace of foreign economic recovery has been slower than expected.
- Recent strength in the U.S. dollar, if continued, could make U.S. cotton even more expensive.
- If foreign cotton price increases outpace manmade fiber prices, the current favorable relationship could be upset.

Uncertainty over world economic forecasts tend to suggest a moderate, rather than sharp, pickup. An increase in foreign production next season will depend on prices farmers receive this season. With the projected moderate improvement in foreign demand still several months away, however, foreign producer prices may well rise only enough to encourage a modest increase in foreign cotton acreage next spring.

Stocks carried into 1976/77 by foreign exporting countries—although likely to be well below beginning stocks this season—could nevertheless stay high. Even a very slight increase in production could satisfy the current outlook for a moderate improvement in demand. Thus, any improvement in U.S. exports in 1976/77 is likely to be modest, unless demand turns up strongly.

Manmade fibers. World production of manmade fibers in 1974 was equivalent to 56 million bales of cotton on a weight basis, down from 58 million the year before when production was at an all-time peak. In the 4 years from 1970 to 1974, manmade fiber use increased 38 percent, while cotton rose only 7 percent.

Production capacity for manmade fibers is slated to continue climbing rapidly, mostly in the United States, Western Europe, Taiwan, and Korea. Some expansion plans have been cut back or delayed for the time being, however, because of the current textile recession. Many countries reported that manmade fiber production and consumption were off relatively more than raw cotton, because of supply uncertainties and high prices. But the manmade fiber industry is confident that expansion will resume when the recession moderates.

Most of the current growth in synthetic fiber production is in polyester fiber, but expansion also continues in acrylics, nylon, and the olefins.

Prices of manmade fibers have been forced down drastically since they peaked in the spring of 1974. In Western Europe and Japan, polyester staple sold a year and a half ago for as high as 90 cents to $1 per pound. For the last 12 months, prices have ranged from 57-68 cents in Japan, with export quotations even lower.

In Western Europe, prices drifted down to 62-67 cents a pound, with unbranded imported fiber selling for as low as 53-60 cents. In contrast, cotton prices have strengthened considerably since last spring's low point.

The synthetic fiber industry, beset by low prices and reduced profits, is anxious to raise prices. Some increases for this fall have been announced in Western Europe and the United States. If conditions in the textile industry improve, no doubt prices will rise even further.

In the long run, the synthetic fiber industry expects to expand strongly in textiles, as well as in uses like carpets and tire cord, in which cotton is not now a significant factor. Nevertheless, manmade fibers will continue to be a strong competitor for cotton in world fiber markets.

Rising Affluence Ups Demand For U.S. Feeds in Venezuela

By JAMES W. WILLIS
Assistant U.S. Agricultural Attaché
Caracas

FEW MARKETS for U.S. feed ingredients grew as rapidly last year as Venezuela, where the United States boosted sales of soybean meal 20-fold over the 1973 level; soybeans, 5½-fold; and feedgrains, 15 percent. And although a plateauing may take place in future sales, Venezuela is definitely a market with further expansion potential, given its demand-inflating combination of explosive population growth and steadily rising incomes.

In volume terms, U.S. soybean meal exports to Venezuela in calendar 1974 soared to more than 100,000 metric tons from only 5,000 the year before, while those of soybeans climbed to over 50,000 tons from about 9,000. At the same time, feedgrain shipments shot past the high 1973 level of 325,000 tons to a new high of 508,000.

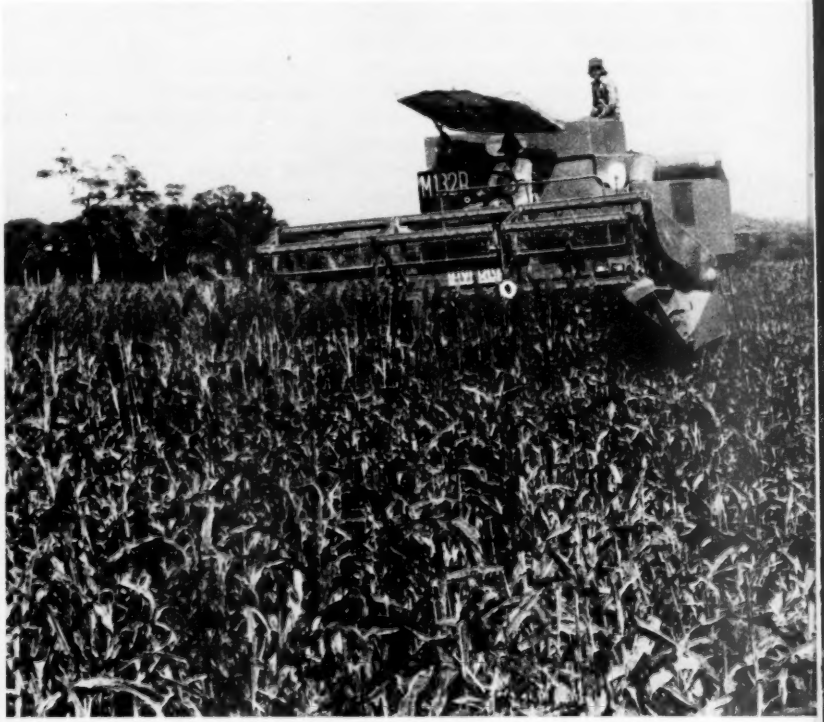
The abnormally strong growth in U.S. sales of protein concentrates reflects, in part, a recovery from reduced shipments in 1973 when soybeans and soybean meal came under temporary export controls. However, an equally important factor was rapid growth in demand for mixed feeds, brought about by rising consumption of protein-rich foods.

For example, consumption of poultry meat last year rose 10 percent above the 1973 level; red meat, 9 percent; and milk, 10 percent. Consumption of all protein foods should record significant expansion in 1975.

One of the chief factors behind this rising trend is a 3.5 percent average annual population growth—one of the highest rates in the world. And this growth climbs to over 10 percent yearly in major commercial markets such as Caracas. At the same time, efforts to supply the ballooning population with locally produced food are constantly being challenged by accelerating demand for more diversified, higher quality foods—a change fostered by the 130 percent jump in average annual incomes over the past 5 years and the maintenance of low, subsidized retail food prices.

As a result of these pressures, Venezuela will be hard put to reduce its dependence on the foreign market. And this is in spite of a $600-million program now underway to expand and improve Venezuelan agriculture, particularly output of feedgrains and oilseeds (see the June 16, 1975, issue of *Foreign Agriculture*).

In calendar 1975, for instance, the country will probably need over 300,000 tons of protein meals—half of which will likely be obtained from abroad. Purchases already made, or scheduled, to meet these requirements include 20,000 tons of Peruvian fishmeal, enough U.S. peanuts to yield



Above, harvesting grain sorghum in Venezuela. Left, topping off truckload of grain sorghum. Although Venezuela expects to harvest a large grain sorghum crop in 1976, the needs of the mixed feed industry will outrun production and large imports will be needed, mostly from the United States.

20,000 tons of protein meal, 13,000 tons of Philippine copra, and 250,000 tons of U.S. soybeans. This leaves at least 50,000 tons of protein meal, probably U.S. soybean meal, needed to cover remaining 1975 meal requirements.

Venezuela also needs over 640,000 tons of feedgrains in 1975 to meet demand for mixed animal feeds.—Since local feedgrain supplies currently cover less than one-fifth of this need, the country will have to import about 500,000 tons of U.S. grain sorghum. Recent sales agreements indicate that about 420,000 tons of this grain sorghum were reportedly purchased during the first 10 months of 1975, leaving around 80,000 for purchase and delivery in the last 2 months of 1975.

Meanwhile, the growth that has occurred in Venezuela's grain sorghum crop has not had a negative impact on feedgrain imports. The reason is that feedgrain use by local animal feed compounders is rising even more rapidly then domestic sorghum outturn. While sorghum output rose from only 15,300 tons in 1973 to 34,000 in 1974—and is expected to reach 80,000 in 1975—local feedgrain use climbed from 488,000 tons in 1973 to 587,000 and 641,000 tons, respectively, in the following 2 years.

FEED COMPOUNDERS have been able to cover some of their feedgrain requirements with broken or brewer's rice (about 35,000 tons annually). But little, if any, local corn has been available. Practically all of Venezuela's white corn supply (domestic and imported) has been earmarked for use by the food and brewery industries.

A still larger grain sorghum harvest is anticipated in 1976, owing to increased sowings, higher support prices, improved varieties, and better cultural practices. But, again, this expansion is not likely to pace that in animal feed needs. With mixed feed needs expected to rise 10 percent next year, mixed feed manufacturers will require over 700,000 tons of feedgrains.

Feed manufacturers were recently given the right to buy their compound feed input requirements directly from foreign suppliers. Most of these manufacturers are expected to purchase increased quantities of U.S. grain sorghum in 1976, owing to an absolute price advantage and to year-round availabilities versus more limited availability of domestic feedgrains.

Pakistani Edible Oil Imports Rise, But U.S. Share Slips

By ARIF MAHMOOD
Office of U.S. Agricultural Attaché
Islamabad

DEMAND FOR EDIBLE oils in Pakistan is stronger than ever before, recently rising at the rate of 10-15 percent yearly, while domestic oil output has stagnated after earlier rapid growth. The result has been a surge in edible oil imports to alltime highs in 1974 and 1975.

But instead of benefiting U.S. soybean oil, as in the past, the expanded imports are coming from Malaysia and Indonesia as a result of much lower prices for their palm oil, lower ocean freight costs, and reduced availability of U.S. soybean oil under P.L. 480 programs. What happens in these three areas is thus the pivotal factor behind future demand for U.S. soybean oil—a long-standing import that helped shift Pakistani demand toward vegetable oils from traditionally important butter oil.

A number of factors are combining to lift Pakistani consumption of vegetable oils, including:

- Rising urban and rural incomes and a population growth of over 3 percent annually;
- The Government's policy of supplying vegetable ghee (clarified margarine) at subsidized prices; and
- Failure of butter-oil supplies to expand, pushing prices to 2-2½ times those for vegetable ghee and thus spurring a shift in demand to vegetable oils.

The shift from butter oil to vegetable oil—evident during the last 25 years—is an outgrowth of lagging livestock production, with subsequent constrictions on supply and sharp gains in prices for butter oil.

Long the principal cooking medium in Pakistan, butter oil began to decline in importance when butter oil prices rose but supplies of competitive vegetable oils — including imports — remained fairly abundant and much lower in price. As a result, vegetable oil has taken over urban markets completely and is rapidly gaining acceptance in rural areas.

Underlying such developments is the accelerating population growth, which jumped from about 2.7 percent annually in 1965-70 to over 3 percent during 1971-75, while domestic edible oil output in the last 2 years has fallen below its 1973 peak. Incomes likewise have risen, as sharp increases in commodity prices have boosted farmers' earning and urban wages have grown even more rapidly.

On the other hand, the Government has continued its policy of controlling retail prices of basic food items, including vegetable ghee, on the assumption that consumers would be unable to fill their consumption needs if price controls were withdrawn. These policies reflect the many imperfections in Pakistan's free market structure that work against fair prices to consumers.

The combined effect of all this was to step up growth in demand for vegetable oil to the recent yearly rate of 10-15 percent. During 1975, total edible oil use was estimated at 389,000 metric tons, for vegetable ghee and vegetable oil production, plus another 36,600 for other uses. Of the former, 305,000 tons were used by the vegetable ghee industry, 51,000 for direct consumption, and 33,000 as refined vegetable oil.

In addition, the country consumes 160,000-170,000 tons of desi ghee (butter oil) and about 80,000-90,000 tons of butter.

Official sources estimate that edible oil requirements may nearly double, to a projected 693,000 tons, by 1980. They also believe that supply of butter and butter oil will improve by about 30 percent during the next 5 years and that domestic vegetable oil output could increase. Sill, this would leave a large edible oil deficit, requiring a projected 254,000 tons in imports by 1980.

Already, edible oils have become Pakistan's second most important agricultural import after wheat. These oil imports have risen from 37,000-75,000 metric tons between 1968 and 1973, mostly U.S. soybean oil under Title

I, P.L. 480, to more than double that level in 1974 and 1975.

This jump reflects the steadily building demand, plus a change in Government policy from restricting imports to allowing duty-free entry of supplies needed to meet consumption needs.

Under the former system, only a limited number of cash licenses were issued to private manufacturers, who were hard pressed to meet their requirements from supplies available under concessional sales programs such as P.L. 480.

After nationalization of the vegetable ghee industry—in a move that had wide popular support—the Government liberalized and substantially increased cash imports. These imports are now handled exclusively by the Trading Corporation of Pakistan (TCP), which then supplies the oil to the vegetable ghee industry at a fixed price.

With burgeoning edible oil imports and increases in world prices, the import bill in 1975 rose to $125 million, about 4½ times that spent in 1971, while import volume during this period did not quite double. Hence, the country is spending a larger share of its foreign exchange on edible oil than ever before. In 1974, this share amounted to 32 percent of all agricultural imports.

Despite this expanded demand, the United States has seen a sharp drop in its market share. In 1974 and 1975, for instance, declining availabilities of U.S. soybean oil under P.L. 480 led to a strong shift away from U.S. soybean oil. The beneficiary was palm oil from Indonesia and Malaysia, where explosive production growth has led to a flood of palm oil exports at low prices.

THUS THE U.S. share of Pakistan's 191,180-ton 1975 import of edible oils fell to only 30 percent from about 90 percent in 1973. Of this, 28,210 tons, or 15 percent of Pakistan's edible oil imports, moved under P.L. 480.

Purchases of palm oil, on the other hand, soared from only 974 tons in fiscal 1973 to 27,219 in 1974 and 129,329 tons in 1975. Tentative Pakistan Government estimates indicate 185,000-200,000 tons of palm oil might be imported during fiscal 1976.

If P.L. 480 Title I soybean oil becomes more abundant, Pakistan apparently will again be interested in U.S. soybean oil, which is preferred to palm oil. Otherwise, foreign exchange constraints will steer Pakistan to the Indonesian and Malaysian palm oil, which is not only cheaper but also carries lower freight charges.

In May 1975, for instance, soybean oil prices were quoted at $542 per metric ton, while palm oil was between $450 and $460 per ton. Freight charges averaged around $15 per ton, compared with $30 per ton for U.S. soybean oil.

Meanwhile, oilseed and domestic oil production continue in the doldrums after steady if unspectacular growth between 1965/66 and 1972/73. Pakistan's total oilseed production rose steadily between 1965/66 and 1972, climbing from about 1 million tons to the record 1.79 million recorded in 1972. However, output has since declined nearly 8 percent, ending up at an estimated 1,649,000 tons in 1975.

The decline in 1974 resulted from flood damage to the standing cotton crop plus a reduction in area to about 6.1 million acres from 6.4 million in 1973. In 1975, area was the largest ever—6.86 million acres—but production was adversely affected by an unprecedented drop in availability of irrigation water and an increase in pest infestation.

For 1976, Government optimism has been high about prospective production gains as a result of anticipated larger plantings; these sources foresee a possible 1976 production of 4.4 million bales of cotton for a cottonseed production of 1.57 million tons. But it seems more likely that output, discouraged by low 1975 cotton prices and the rising cost of fertilizer and pesticides, will be only about 4.0-4.1 million bales, for a cottonseed output of 1.4 million tons.

Cottonseed is far the most important oilseed in Pakistan, with about three-fourths of all oilseed acreage. During 1975, its output totaled 1.27 million tons, followed by 305,000 tons of rape- and mustardseed, about 61,000 of peanuts, and 12,000 of sesame.

Generally speaking, oilseed production remains neglected in Pakistan, at both the Government and farmer levels. Production still is based on traditional practices and virtually no use of fertilizer. Cottonseed production benefits some from the preferential treatment given cotton, the main cash crop and principal foreign exchange earner for Pakistan. But even here, the emphasis is on production of lint—rather than on improving oil content of the seed.

Edible oil production during the past decade has fluctuated in sympathy with oilseed output, recording a 7.5 percent annual rate of increase—a rate that includes, however, a static output since 1973. This expansion was marked by steady gains up until 1971, with some acceleration in 1972 and 1973, as a result of larger cotton plantings and adoption of high-yielding varieties.

Hence, oil output jumped from 188,000 tons in 1971 to 233,000 tons in 1972 and a peak of 236,000 in 1973 but has since been stable at around 230,000 tons.

Again, the main hope of raising production in the next few years rests on expanding cotton output and yields. Production of rape—and mustardseed oils, peanut oil, and sesame oil—is likely to grow but slowly, with no significant increase expected from these sources in the near future.

SOME GAINS also could be achieved via modernization of the crushing industry. Conversion of oilseeds to edible oil still is not as efficient as it should be. Small, antiquated expeller units yield much less oil than could be obtained with more modern equipment.

In 1975, the Government plans to procure 137,000 tons of domestic oil (122,000 of it cottonseed) for processing by the 28 plants of the largely nationalized vegetable ghee industry, in addition to some 168,000 tons being met through imports. This oil is supplied to vegetable ghee mills at subsidized prices of Rs. 200 ($20.20) per maund (82.286 lb).

Consumers then can buy vegetable ghee at the official retail price of Rs. 4.50 (45.4 U.S. cents) per pound. During the period of short supplies, distribution of this ghee to retail points was made under official supervision and sold only through listed retail stores or ration shops. However, the large imports improved the supply position some during the first quarter of 1975, allowing the Government in April to lift the restriction on distribution. Thus, the sale of vegetable ghee is now allowed in all retail outlets.

This subsidization of the ghee manufacture and sale proved to be a heavy drain on the Government in 1974, forcing an outlay of about $27.2 million that year. The subsidy should be down in 1975 as a result of lower world prices.

"... agriculture is one of the most contentious issues in the MTN. Procedural difficulties (have) turned exclusively around the link between industrial and agricultural negotiations."

Agriculture and the MTN

By ERNEST KOENIG
U.S. Agricultural Attaché
U.S. Mission, Geneva

THE DIFFICULTY of projecting the course, let alone the final outcome, of the Multilateral Trade Negotiations (MTN) results from the fact that, unlike the outlook for a given commodity that can be gauged on the basis of discernible (though not necessarily unmistakable) trends, the outcome of a negotiation in which 90 countries participate depends on the whims and wills of the countries and governments involved. Their collective attitudes do not admit of a prediction or a projection.

There are, however, some facts that certainly will influence these negotiations strongly throughout their duration. These are: The state of the world economy; the predominance of less developed countries (LDC's) among the participants in the MTN; and the paramount role that the European Community plays in these negotiations. These facts have no precedents in previous negotiations.

All previous negotiations of the General Agreement on Tariffs and Trade (GATT) have taken place in a climate of high economic activity. This negotiation takes place in the midst of a worldwide recession. Hence, the course of these negotiations and the general willingness to liberalize and rationalize international trade will largely depend on whether international business activity in the near future will be expanding, stagnating, or shrinking.

The predominance of LDC's among the negotiating parties represents another innovation in these negotiations. These countries consider not only better but also guaranteed preferential access to the markets of developed countries as vital for their development and well-being, and as a basic condition for their participation in these negotiations. By the same token they do not expect that the concessions they are seeking will require full reciprocity on their part.

The participation of the enlarged EC is another first in the history of international trade negotiations. It is true that the EC participated in the Dillon Round and in the Kennedy Round. But since then, the EC has been enlarged. It has established special preferential trade relations with the rest of Western Europe, with the Mediterranean countries, and with a great number of developing countries, the so-called African-Caribbean-Pacific countries.

The share of the EC in world trade has been growing and the EC is presently the largest trading unit in the world by far. Because of its great importance in world trade and because of its special relations with so many other countries, the EC counts most importantly in these negotiations.

The prominence of the EC, the United States, Japan, and Canada in world trade imparts to these multilateral negotiations strong bilateral or plurilateral undertones because issues often polarize among these major trading countries.

At its present stage the MTN takes place in a number of groups or committees. There is a group dealing with tariffs, and another group dealing with nontariff measures which, in turn, is subdivided into subgroups.

ONE SUBGROUP aims at establishing a so-called standard code—a code of behavior for dealing with technical obstacles to trade. Another nontariff measure subgroup deals with quantitative restrictions and licensing procedures. Still another subgroup deals with the all-important question of subsidies and countervailing duties. There is, furthermore, a group dealing with sectors, a group on customs procedures, a group on safeguard measures, and a group on tropical products.

All these groups, except the tropical products group, deal at present with global or functional issues rather than with specific commodities. For instance, the Tariff Group is searching for a general formula for tariff cutting. In the subgroup on subsidies and countervailing duties, efforts are being made to elaborate general principles that would govern the use of subsidies and countervailing duties.

In addition to these negotiating groups there is an Agriculture Group with three subgroups—one for grains, another for meat, and a third for dairy products.

The Agriculture Group and its subgroups are primarily commodity oriented. The divergencies in the agricultural groups are much more pronounced than in the other groups.

AGRICULTURE plays a major role in the MTN. This is natural because agriculture is of major importance in world trade and because international agricultural trade is of vital importance to so many countries—developed or undeveloped, exporting or importing.

Negotiations in agricultural matters have been one of the most dynamic aspects of the MTN. In the grains, meat, and dairy subgroups, countries have not only examined general trade issues but also have presented some of their explicit negotiating objectives. They have engaged in vigorous discussions on each other's concepts.

However, the dynamic aspects of the agricultural negotiations are also reflected in the fact that agriculture is one of the most contentious issues in the MTN and has led repeatedly to procedural impasses. The procedural difficulties encountered in the agricultural negotiations turned exclusively around the question of the link between industrial and agricultural negotiations.

The problem is protracted and at times obscure. To understand it fully, one has to go back to the beginnings of the MTN in 1973—to the Tokyo Declaration.

The Tokyo Declaration was accepted

by some of our partners only on the condition that "as far as agriculture is concerned the negotiations should aim at an approach which, while in line with the general objectives . . . should take account of the special characteristics and problems in this sector."

The meaning given by some signees to this rather obscure phrase is that agriculture is a sector different from industry and should therefore be treated separately from the rest of the negotiations. The U.S. Trade Act of 1974, on the other hand, requires that "to the maximum extent feasible, the harmonization, reduction, and elimination of agricultural trade barriers and distortions shall be undertaken in conjunction with the harmonization, reduction, or elimination of industrial trade barriers and distortions."

The difference in views between the United States and its partners, primarily the EC, turns on the interpretation of "in conjunction with"—that is, on the link between the negotiations on agriculture and industry—and has become one of the major procedural issues in the MTN on agriculture.

The EC has never coherently explained why it considers agriculture to be a special subject requiring special negotiating procedures. On the basis of isolated remarks made at various occasions, by EC spokesmen and others, one may interpret their position as follows: In agriculture, unlike industry, the adjustment of supply and demand —market stability—is difficult to achieve; that agricultural incomes, unlike those in other sectors of the economy, are mostly determined by public transfer payments; and that agriculture has unique sociological and political characteristics that make it a special subject.

THESE ARGUMENTS are either untenable, or if tenable irrelevant to the purpose at hand—multilateral trade negotiations. The present recession shows that market stability in the nonagricultural sector is often as difficult to achieve as in agriculture.

Widespread government aid to ailing industries in the major European countries refutes the assertion that only agricultural producers benefit from public support payments. The American farmer at present derives the overwhelming part of his income from the market and has never been as fully supported by the public authorities as the European farmer has been.

The thesis that agriculture has unique sociological and political problems is ludicrous in view of the social and political problems resulting, for instance, from widespread industrial unemployment. Thus, arguments that agriculture has special characteristics and cannot be subjected to the same negotiating processes as nonagricultural commodities are fallacious.

AS A MATTER of fact, the EC's propositions go even further: They are intended to prove that owing to its special characteristics agriculture requires special domestic support; that domestic support and measures of border protection are identical; and that, consequently, measures of border protection are not negotiable.

On the other hand, export subsidies which, as we so well know, distort international competition, are said to be indispensable for the support of agriculture and hence fully legitimate. Thus the attempt is being made to lay the foundation for a doctrine that denies the possibility of liberalizing and rationalizing world agricultural trade.

By contrast, the U.S. point of view is that a market-oriented farm economy —implying better access, freer competition, and less interference with market forces—is fully compatible with the legitimate protection of domestic farm interests. If the U.S. view were incorrect and the EC view were driven to its ultimate conclusion, it would logically follow that the results of all previous trade negotiations represent a grave error and should be undone. Surely, U.S. trading partners would like to see the United States abolish the agricultural concessions that it has made to them as little as the United States would like to see the withdrawal of the concessions it has obtained from those partners in the past.

In reality, a trade negotiation is not a dispute about economic doctrines. Such doctrines may sometimes be used to strengthen and ebellish a bargaining point. But they are not the essence of a negotiation.

As mentioned before, a lot of work has been accomplished in the agricultural subgroups. However, the Agriculture Group itself, the parent group of the three subgroups, is continually plagued by procedural questions.

The debate—for the reasons mentioned before—hinges upon the competence of this group: Whether it should be autonomous as far as agricultural problems are concerned, or whether—as the United States sees it—the Agriculture Group should collaborate with the functional groups so that agriculture is not isolated from the rest of the negotiations.

The U.S. delegation in all the MTN groups—the functional groups and the agricultural groups—vigorously defends the view that there must be uniform negotiation rules and procedures, encompassing all and every product within the purview of the MTN.

Why does the United States as well as its partners attach such great importance to rules and procedures? The answer is simple: The rules of the game determine its outcome. Procedure is substance. It is for this reason that the philosophical differences and the doctrines regarding the relation between domestic farm policies and international trade policies introduced in the Geneva debates should be taken for what they are: debating points to strengthen bargaining positions.

THE FREQUENT impasses to which these differences lead should not be overdramatized. These impasses are also part of the game. They are the the challenges attending a negotiation as broad in scope, as important, and as complex as the present MTN. Impasses are often deliberately created. They do not signify that the players do not wish to play; they are maneuvers for negotiating advantages.

World demand for U.S. agricultural products continues to be strong and may continue to remain so in the near future. Why, then, does the United States need these trade negotiations? It should first be remembered that the United States, with the world's largest agricultural trade, faces foreign import restrictions on several times the volume of trade that is affected by U.S. import restrictions.

The MTN's are intended to afford the world better trading opportunities. If successful, these negotiations will lead to reciprocal engagements that give contractual assurances for better competitive conditions than would be the case in the absence of these negotiations. Thus the benefits which the United States may derive from these negotiations will be long-lasting and must be viewed from a long-term point of view.

Controversy Flares Over Canada's Grain "Crow Rate"

By LYNN A. AUSTIN
Foreign Commodity Analysis, Grain and Feeds
Foreign Agricultural Service

CANADIAN GRAIN farmers and rail interests are locking horns over a 19th-century agreement that sets low ceilings on grain freight rates—known as the Crowsnest Pass Agreement. The Crowsnest rate ceiling, which has not been changed since 1922, allows Canadian grain growers to ship at rates considerably below those paid by U.S. farmers. Canadian railroads, however, are complaining bitterly over heavy financial losses incurred in moving grains and want the rate abolished.

So far, the controversial rate situation is deadlocked, with Canadian legislators tending to take a mid-ground position between farmers and rail companies, although support is slightly in favor of farmers. In April, for instance, Prime Minister Trudeau assured alarmed Saskatchewan farmers that no changes would be made in the "Crow Rate" without their full concurrence. That concurrence, most agree, might be long in coming.

The rate disagreement has, in fact, mushroomed into a critical evaluation of Canada's entire grain handling system. The question is now entangled in discussions of spur lines, rolling stock, inland storage, rail terminals, and ports. Rail companies are threatening closures, deterioration, and even collapse without a 60-120 percent increase in grain freight rates. Canadian Pacific has already announced plans to retire rolling stock, cut administrative costs, and postpone capital projects. Under a cost-reduction program, over 2,000 shop workers were laid off on October 24.

U.S. grain producers are watching the situation closely, since Canada is a top U.S. competitor for some grains on world markets. Canada is second only to the United States as a grain exporter, and is the leading U.S. competitor for wheat and barley. Marketing systems are different—Canada's sales are made through a grain board, which does not have the flexibility of the U.S. free market system—but the low freight rates frequently give Canadian grains a price edge in world markets.

The same competition is felt at the farm level. Rail transport costs figure prominently in prcies received by farmers in both countries, since both use rail heavily for moving grains to inland or port elevators.

By providing the special freight rates, Canada has subsidized its grain farmers increasingly over the past 50 years. This is particularly surprising in view of the about-fivefold rise in grain prices since the 1922 law was enacted. At present, Canadian grain transport costs for a typical westbound hopper car (204,000-lb capacity) run as much as $2,500 below U.S. costs—amounting to about 73 cents a bushel. Eastbound, the Canadian subsidy is about 30 cents a bushel. Both rates vary with the distance from farm or elevator to destination.

The current rail rate situation has its roots in Western Canada's frontier days. In the 1890's, the Canadian Pacific Railway Company pressed the National Government to help build a rail link into the mineral-rich Kootenay Valley of southern British Columbia. Previously, minerals had to be transported through the United States by means of mules and lakes to Canada's west coast. The main obstacle to the railway was a 4,500-foot pass—the Crowsnest Pass.

The Government finally consented to subsidize Canadian Pacific through cash payments and land grants. In return, the railroad agreed to build the rail network and charge Government-stipulated rates for various commodities. The grain shipment rate to the east on the new line, for instance, was set at about 54 cents per ton-mile.

DIFFERENCES IN U.S. AND CANADIAN GRAIN FREIGHT RATES

Item	Distance	Cost
	Miles	*US $ per cwt*
Westbound:		
Saskatoon, Sask. to Vancouver, B.C. . .	1,088	0.24
Wolfs Point, Mont. to Seattle, Wash. . . .	1,050	1.46
Approx. subsidy	—	1.22
Eastbound:		
Winnepeg, Man. to Thunderbay, Ont. .	420	.14
Bisbee, N.D. to Duluth, Minn.	418	.64
Approx. subsidy	—	.50

The accord was signed in 1897 and later dubbed the Crowsnest Pass Agreement after the highest point on the proposed route.

During the ensuing 25 years, the rates were adjusted several times to reflect changing cost conditions. In 1922, under pressure from grain-growers, the original Crowsnest Pass rate was made into law, applicable to all grains, shipped to all ports. Since then, the Crow Rate has stood unaltered.

The Crow Rate was originally intended as a subsidy to stimulate farm settlement and economic expansion in the Prairie Provinces. In the early 1900's, it was successful. Central Canada became a breadbasket of the world. In 1922, however, when grain farmers throughout Canada were granted the lower rate, it turned into a blanket subsidization of the industry. The stimulus to area expansion also ran its course. Since 1930, Canada's grain acreage has increased by only 11 percent.

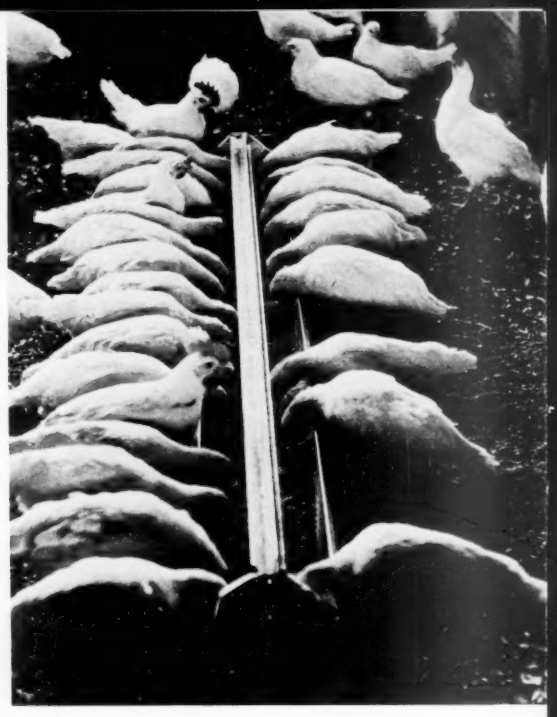
ONCE THE Canadian Pacific had realized much of its profits from the initial subsidization, however, it found that inflation had seriously eroded its ability to provide dependable service for this very low cost. Long before it had anticipated, the railroad was losing money on each bushel of grain it moved.

As a result, the company allowed the rolling stock and rail lines to deteriorate, claiming it could not afford to maintain them. The Government stepped in by renovating a large part of the capital equipment. Next, the company asked to discontinue service to several small branch lines. Again, the Government intervened and prohibited the action.

In 1958, a Royal Commission on Transportation study showed that the Canadian Pacific was losing $10 million a year on grain movements; the company estimated the loss at $35 million. Canadian National, the competitor railway, operating under the Crow Rate was also losing large amounts. By 1973, the Canadian Pacific reported an annual loss of $60 million in grain shipments; the Canadian National claimed a $100-million loss. For obvious reasons, the railways want the Crow Rate abolished.

Peru Boosts Poultry Output, U.S. Feedgrain Imports

By PAUL J. FERREE
Former U.S. Agricultural Attaché
Lima



A test flock of White Leghorns at one of Peru's high-altitude research stations. Peru is trying to improve animal and fowl production under both tropical and high altitude conditions. Between 1971 and 1974, poultry meat production increased 85 percent, spurred on by Peru's drive to limit beef use.

PERU'S EFFORT to limit beef consumption in recent years almost doubled poultry production between 1971 and 1974 and has put fresh emphasis on increasing swine numbers.

As a result, corn and grain sorghum consumption has jumped during those years by nearly 47 percent. And, with domestic grain output holding almost steady during this period, most of the increased corn requirements have been supplied through imports—principally from the United States.

In 1971, corn and sorghum imports totaled 15,000 tons, while beef consumption was 111,000 tons and that of poultry, 50,000 tons. (All tons are metric.) In 1974, foreign purchases of corn and sorghum had skyrocketed to 342,000 tons, beef consumption had dropped to 91,000 tons, and poultry use had risen to 92,000 tons. Pork consumption had also increased slightly.

Following experiments with 2 beefless days per week, the Government adopted a policy in April 1972 prohibiting slaughter and distribution of beef during the first 15 days of each month. Since then, beef import quotas also have been gradually tightened. The Government's stated purpose was to force greater consumption of meats other than beef, as well as of a wider variety of seafoods in plentiful supply, thus reducing expenditures for beef and slaughter cattle imports.

As a result of the holddown of beef use, poultry meat production increased by 85 percent during the past 4 years, and egg output rose by 40 percent. The limitation on beef usage served to reduce the meat equivalent of beef and slaughter cattle imports from 27,000 tons in 1971 to 9,000 tons in 1974.

Most of Peru's poultry development has been in areas adjacent to coastal cities, with about 70 percent of it in the Department of Lima. Much of the output comes from less than desirable agricultural regions that are dry and sandy. However, the low incidence of disease and minimum housing requirements give these regions some advantage. Also the Government's agrarian reform program has influenced previous owners of large tracts of land expropriated under its land distribution plan to get started in poultry and swine production because of minimal land and physical structure requirements.

The technical base for growth of the poultry industry came from research by some U.S. and Canadian franchise breeder-hatcheries and Peru's Agrarian University. An additional factor was the existence on the coast of several well-organized private feed manufacturers.

ALTHOUGH SUPPLY and feed quality problems have become apparent from time to time, total mixed feed production is now about two-thirds greater than in 1971. An estimated 85-90 percent of the total is in poultry rations. Corn, and sometimes sorghum grain, makes up about 60 percent of the mixed rations. Because of Peru's importance as a world supplier of fishmeal, it is not surprising that fishmeal is the principal source of protein for feed, comprising up to 24 percent of some rations.

Expansion of the poultry and swine industries is expected to continue into the immediate future; and along with it, the demand for imported grain will probably climb in future years.

In effect, profit margins are regulated according to a fairly complete price control schedule covering feed rations, baby chicks, and poultry sales from producer to consumer. Milling byproducts, protein meals, and grain concentrates are to some extent also subsidized and price controlled. However, because feed additive, vaccine, and other production costs have risen significantly, the result at times has been a cost-profit squeeze that has discouraged some poultry producers. With live broilers selling for 42 U.S. cents per pound, and rations costing about 9 cents per pound, production is said for the most part to be profitable. As a result, poultry output should continue to grow at a rate of about 20 percent annually.

Government authorization has been given to import 390,000 tons of corn and grain sorghum in 1975, 273,362 tons of which has already been purchased from the United States. Total import requirements may even be greater, although Peruvian officials expect higher support prices to stimulate domestic feedgrain production.

The price of corn at feed mills was recently increased from $137 per ton to $212; grain sorghum from $124 to $191. But even if these higher prices cause a boost in domestic grain output, pressures from the Peruvian feeding sector will probably result in larger feedgrain imports in the future.

Mr. Ferree is now U.S. Agricultural Attache at Tehran.

CROPS & MARKETS

GRAINS • FEEDS • PULSES • SEEDS

Venezuela Purchases Argentine Grain. Under a new agreement, Venezuela has purchased 400,000 metric tons of grain from Argentina, including 200,000 tons of wheat, 100,000 tons of yellow corn, and 100,000 tons of grain sorghum. The Argentine sales will mean a cutback in grain purchases from the United States, which normally supplies the bulk of Venezuela's imports of wheat and grain sorghum. In the 1974/75 (July-June) marketing year, Venezuela imported 632,000 tons of wheat, and 573,000 tons of grain sorghum, mostly from the United States.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 8	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.27
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.41	+ 8	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.10	+20	6.19
U.S. No. 2 Hard Winter:			
13.5 percent	4.75	+ 7	5.96
No. 3 Hard Amber Durum	5.74	+14	7.97
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.98	+ 6	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.08	— 2	4.14
French Maize [2]	3.29	— 3	(1)
Argentine Plate corn	3.54	+ 6	4.43
U.S. No. 2 sorghum	3.07	+ 8	4.17
Argentine-Granifero sorghum	3.22	+15	4.32
U.S. No. 3 Feed barley	3.10	+ 2	3.84
Soybeans:			
Brazilian	(1)	(1)	(1)
U.S. No. 2 Yellow	5.18	— 3	8.09
EC import levies:			
Wheat	1.12	+ 6	0
Corn	.90	— 8	0
Sorghum	.85	— 9	0

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

Soviets Complete Winter Grain Sowing. The USSR reports successful completion on October 27 of the seeding of the 35 million hectares of winter grains scheduled for sowing this fall, although the amount of moisture in the soil over most of the winter grain regions was much below average. This shortage of soil moisture apparently interfered with the germination and development of the grain, and at least some of it went into dormancy in poorer-than-normal condition. Grain in such condition will be very susceptible to damage from severe winter weather unless protected by an adequate snow cover. Also, above-average precipitation during the winter and spring will be needed if the moisture supply at the beginning of the 1976 growing season is to be sufficient to produce even an average winter grain yield. The relatively poor weather conditions for winter grain this fall probably preclude a record yield of winter grains in 1976.

LIVESTOCK • PRODUCTS

U.S. Waives Canned Ham Countervailing Duty. The U.S. Treasury Department on November 25 announced its final determination with respect to the countervailing duty investigation of canned hams and shoulders exported from EC countries: Bounties or grants exist, but additional duties are being waived under the provisions of the Trade Act of 1974.

The Treasury noted that there has been a series of reductions in restitution payments on canned hams exported from EC countries to the United States from a high of 57 units of account (u.a.) per 100 kilos in September 1973 to 20 u.a. effective November 10, 1975, and EC exports of hams to the United States have been declining for the past 2 years. During this period, the subsidy payments have been reduced from 29 to 15 U.S. cents per pound for canned hams from the Netherlands.

Under the terms of the waiver, countervailing duties will not be employed on EC canned hams or shoulders still benefitting from restitution payments if the presently favorable price for hogs in the United States continues and these imported products are not marketed aggressively.

Danes Plan No Expansion of Hog Numbers. According to Denmark's October 3 pig census, hog farmers do not plan to expand their supply of slaughter hogs in 1976. Although prices for fat pigs continue high, the October census indicates total hog numbers at about 8 million head—down almost 4 percent from the October 1974 total. Sow numbers—an indication of the early 1976 pig crop—are down 5 percent to 537,000 head. Farmers may have regained some confidence, because the number of sows in pig (4,000) is up 1 percent from the April level. In 1973 and 1974, sow matings fell seasonally from April to October. Danish hog numbers have been declining since 1971 and 1972, when beginning total numbers were about 8.7 million head in both years.

Heavy Soviet Livestock Slaughter Continues. USSR data for State and collective farms published November 1 indicate continuing heavy slaughter of hogs and poultry. However, the rate of decline in poultry and hog numbers is expected to slow as culling of flocks and herds tapers off and as the 1975/76 feed supply and demand come closer to balance.

Total Soviet cattle numbers declined seasonally in October but remained about 3 million head above those of last year. The small drop in cow numbers also indicates an absence of any significant move to reduce the cattle herd. Cattle numbers as of January 1, 1976, are still forecast to increase about 3 percent from the January 1, 1975, level.

Accelerated hog slaughter during recent months has sharply reduced hog numbers on State and collective farms from 56.8 million head on August 1 to 46.5 million on November 1. Hog numbers in November 1974 were 56 million. It is now

estimated that total hog numbers (including private holdings) on January 1, 1976, will be about 15 percent less than in 1975, or about 60 million head.

Poultry numbers on November 1 were 376 million—slightly less than the 378.8 million 2 years ago and about 10 percent less than the year-earlier total. During 1973 and 1974, poultry numbers on State and collective farms dropped 143 million and 138 million, respectively, from July 1 to November 1. In 1975, poultry numbers declined about 200 million during the same period. Poultry numbers on State and collective farms as of January 1, 1976, are now forecast at about 360 million birds—down about 10 percent from the 403 million of January 1, 1975.

Japan Sets Beef Import Quotas. Japan's Ministry of International Trade and Industry on November 20 set the following beef import quotas for the second half (October-March) of the 1975/76 fiscal year (in metric tons): International hotels, 500; school lunches, 100; boiled beef processing, 1,500. In the past, the United States has supplied much or all of the quota for international hotels, and this trade is expected to continue. Total beef import quotas for Japan's fiscal 1975 now amount to 56,230 tons.

DAIRY • POULTRY

Norwegian Cheese Exports to U.S. Subsidized. The U.S. Treasury Department has made a preliminary finding that cheese exported from Norway to the United States is subsized by bounties or grants. This finding is a step toward possible imposition of countervailing duties on such U.S. imports. The possible imposition of countervailing duties can be waived if the Secretary of the Treasury finds that the exporting country is taking steps to reduce the effect of the subsidy, if there is possibility of international agreement toward reducing the subsidy, or if the imposition of countervailing duties would jeopardize the negotiation of agreement.

In a case of a similar finding of subsidies applying to EC cheese exports to the United States, the waiver provisions were applied only after the EC agreed to remove subsidies from several specified types of cheese and to reduce sharply the payments on remaining types.

Swiss Milk Output Steady. Swiss milk production in the year that ended July 31 was 2.8 million tons—about the same as in the previous year. Production for winter 1975/76 is forecast at the same level as last winter's.

Swiss cheesemakers fear that the September increase in the EC intervention prices for milk and the resulting higher minimum entry prices for cheese from Switzerland will induce consumer resistance for Sbrinz cheese made in Switzerland and sold in France and Italy.

EC Protects NFDM Subsidies. In a move to encourage traders to enter into long-term contracts for export of nonfat dry milk, the EC has issued a regulation permitting adjustments, where appropriate, of export subsidies that had previously been fixed for as long as 12 months in advance. Previous practice had been for exporters to obtain licenses for exports as long as 12 months ahead and thereby assure themselves of subsidies in effect at the time of licensing. This course is unattractive, however, if there is any prospect that subsidies might increase as they would if intervention prices were increased. To protect the trade in this regard, the EC has ruled that subsidies thus fixed can be adjusted if the NFDM intervention price is increased before the shipment is exported.

OILSEEDS • PRODUCTS

Peru's Anchovy Situation Unsettled. Peru's anchovy catch, January-November 18, totaled 3 million metric tons—equivalent to about 670,000 tons of fishmeal and 209,000 tons of fish oil. FAS estimated calendar 1975 production at not more than 900,000 tons of meal and 250,000 tons of oil. Peru still is not fishing on a full-scale basis. During the week ending November 18, an average 108 boats were in use—considerably fewer than the 700-800 boats normally used in full-scale operation. The fishing season could be continued into February.

Exports through October totaled about 709,000 tons of meal and 133,000 tons of oil. FAS estimated Peru's 1975 exports at about 800,000 tons of meal and 150,000 tons of oil. In September, Peru introduced a new export sales policy designed to link new export sales orders to the monthly catch. New orders would be filled only if the catch prior to the scheduled shipment reached or exceeded 1 million tons for the month prior to the scheduled shipment. On November 21, Peru temporarily suspended fishmeal and fish oil exports. November commitments reportedly were met on schedule, but the December export outlook is unclear. Since stocks at the end of October were estitmated at only 82,000 tons of meal and 18,500 tons of oil, calendar 1975 exports could be less than currently estimated unless fishing improves in December.

COTTON

U.S. Cotton Prices Strengthen Abroad. Following rising U.S. cotton spot and New York futures prices, U.S. asking prices for cotton in foreign markets in late November had recovered about half of October's decline of 6 cents. This gain increased the spread of U.S. prices above slightly lower prices for foreign growths to as much as 9 cents. U.S. quotations on the Osaka market continued nominal, reflecting dull domestic Japanese demand and uncompetitive U.S. prices. New U.S. export sales in late October-early November improved somewhat but continued light.

Soviet Cotton Crop Hurt by Cold Weather. Unseasonal cold weather appears to have reduced the Soviet cotton crop and caused some quality deterioration. The FAS estimate of the 1975 USSR cotton harvest has been lowered 400,000 bales to 12.6 million. Although the harvest began ahead of schedule, rain and freezing weather during mid-October and early November slowed operations in the principal cotton-growing regions of Uzbekistan and Turkmenistan and stopped growth 10-15 days earlier than usual. However, 85-95 percent of the bolls had already opened. By early November seed cotton deliveries totaled only 7.5 million tons, more than 500,000 below those of a year earlier.

Greece's 1975 Cotton Crop Smaller. The 1975 Greek cotton crop is now estimated at 528,000 bales, down only 10 percent from that of last season as Government support prices

limited the fall in acreage to 12 percent. Exports in 1975/76 are forecast to double to 230,000 bales following last season's sharp decline when shipments were largely to Communist countries. Though more competitive, Greek asking prices this season remain somewhat above those for most comparable foreign qualities and export sales continue slow. Government emphasis on textile exports could push cotton consumption up as much as 12 percent in 1975/76, while imports of qualities not produced domestically will likely decline sharply following last season's relatively large purchases. Last season the United States suppied 45,000 bales of Greek imports, over 40 percent of the total and up sharply from the level of earlier years.

Ivory Coast Ups Cotton, Textile Output. Cotton production in the Ivory Coast has grown to an estimated 120,000 bales from almost nothing in 1960 through successful Government programs to increase acreage and expand yields, now averaging over 300 pounds of lint per acre. A parallel expansion is occurring in the country's textile industry, which achieved sales of $130 million in 1974 and now ranks as the second most important industry. The textile industry now consumes about one-third of the Ivory Coast annual cotton production. Planned expansion over the next several years will permit an increasingly higher proportion of cotton production to be consumed and exported in the form of textiles. Local cotton textile industries, now exporting mainly to neighboring countries, hope to enter the European market. Budding man-made fiber textile industries hope eventually to compete on the world market as well.

SUGAR • TROPICAL PRODUCTS

Sugar Agreement Talks Scheduled. The International Sugar Organization (ISO) held meetings in London during November to work toward a new International Sugar Agreement and has tentatively set a negotiating conference for September 13, 1976, in Geneva. The 1968 Agreement expired at the end of 1973. It was extended by protocol but without economic provisions for 2 years and has been extended again through 1976. There was a consensus at the London meeting that the 1968 Agreement is a good basis to work from in formulating a new Agreement. The ISO Executive Secretary has been authorized to appoint a committee to begin a drafting sketch for a new Agreement. The amount of free-market sugar that could be subject to trade under a new Agreement is about 14 million metric tons (raw value).

Another Large Indian Pepper Crop. India's production of black pepper during the 1975/76 (November-October) season is expected to approximate the large 1974/75 harvest of 38,000 metric tons. India's pepper exports in 1974 reached a record 28,569 tons, compared with 1973 shipments of 27,942. The major recipients of the 1974 exports were the United States, 8,415 tons; the USSR, 7,739; Poland, 2,056; Canada, 1,662; Italy, 1,542; and Czechoslovakia, 1,000. Preliminary data indicate that exports during January-October 1975 have totaled about 21,500 tons. Exports for all of 1975 are estimated at 24,000 tons, down 16 percent from the record 1974 level.

U.S. imports of Indian pepper in 1974 amounted to 7,479 tons valued at $10.2 million, out of total U.S. imports of black and white pepper of 25,465 tons valued at $38.2 million. Total U.S. pepper imports during January-September 1975 were 15,871 tons valued at $26.6 million, compared with 21,285 tons valued at $31.3 million during the corresponding period a year earlier. Imports from India during the first 9 months of 1975 amounted to 5,484 tons valued at $9.4 million, compared with 6,631 tons valued at $8.9 million during the similar 1974 months.

New York spot Malabar black pepper prices have averaged about 90 cents per pound during the first 11 months of 1975, compared with an average of 82.5 cents during all of 1974.

FRUIT • NUTS • VEGETABLES

South Africa's Pineapple Output Down. South Africa's canned pineapple industry is encountering marketing difficulties as world demand softens, resulting in an excess of supply over demand. Total fresh pineapple production in South Africa was estimated at 172,000 metric tons for the 1974/75 crop year, down 6 percent from the record 183,000 tons of 1973/74. The 1974/75 production decline was attributed primarily to normal weather conditions, compared with the excellent conditions in 1973/74 that resulted in a record crop. In recent years, about 75 percent of the pineapple harvest was processed, while the rest was exported or consumed domestically in fresh form.

The 1974/75 canned pineapple pack is forecast at about 2.6 million cases (45-lb cases), down by 4 percent from that of a year ago. However, total canned 1974/75 supply, including carryover, is 9 percent above that of the previous year.

Total South African exports, accounting for 60-70 percent of total supply, have been slipping in the past 3 years, causing larger carryovers. A sizable carryover of 1.2 million cases into the 1974/75 season caused concern for processors. Exports to the United Kingdom, the major market, have declined by about 25 percent since the 1971/72 season.

Hops Harvests: Some Up, Some Down. The USSR harvested a larger hops crop in 1975 than in 1974, while outturns in West Germany and the United Kingdom were smaller than in the previous year. The Soviet crop at an estimated 10,300 metric tons is 12 percent larger than last year's relatively poor crop; estimated area in 1975 was about 12,300 hectares—3 percent greater than the 1974 area. West Germany's estimated 1975 crop amounted to 30,914 tons, down 8 percent from that of the previous pear. A summer heatwave contributed to the decrease. Area was 0.2 percent greater—about 20,212 hectares. Quality is reportedly good.

In the United Kingdom, production is estimated at 9,072 tons, down 11 percent from the previous year's level because of drought and a small acreage decline. U.K. exports of hops during the 1975/76 season (October-September) are expected to decrease 25 percent to 544 tons compared with the 1974 total, while imports are expected to climb to 2,041 tons—a 32 percent increase.

Other Foreign Agriculture Publications

• USSR: The 1975 Soviet Grain Year in Retrospect (FG 14-75)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918-S; Tel. 202-447-7937.

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Demand for U.S. Wheat Expanding in Caribbean Area

The outlook appears to be bright for exports of U.S. wheat to the Caribbean and Central American countries. David F. Foster, a U.S. wheat producer who was sent to that area to examine marketing prospects, reports that demand for wheat products in the Caribbean and Central America is rising. Foster was part of a team representing Great Plains Wheat, Inc., an organization that cooperates with FAS in foreign market development.

None of the Caribbean or Central American countries alone is considered a large market for U.S. wheat, but collectively they import a substantial amount—about 600,000 metric tons yearly.

One rather optimistic flour miller in the Dominican Republic ventured that "the wheat business should be good for the next 100 years—beyond that it is too hard to tell." A number of factors apparently have combined to expand the demand for wheat in his, and other, countries in Central America and the Caribbean.

According to Foster, increasing incomes, growing population, rising prices for competing food products, and the continuing migration from rural areas to the cities all place upward pressure on the demand for wheat. Virtually none of the Caribbean or Central American countries produce any significant amount of wheat, and none are self-sufficient. Increased demand for wheat products will have to be met with imported supplies, and, with few exceptions, the United States is the sole supplier of wheat to these markets.

The strength of present demand and the encouraging outlook are all the more noteworthy in the light of the severe dropoff in wheat consumption a few years ago. Flour consumption fell drastically in most of the Caribbean and Central American countries—in some by as much as 40 percent—when world wheat prices soared in 1972/73.

Foster explains that, unlike many of the countries in South America, where the government imports wheat and subsidizes flour costs to the consumer, most of the countries in the Caribbean and Central America operate basically on a free market system. The government generally fixes the price of flour to the baker and sets the price of retail wheat products to the consumer, but these established prices are based on the price at which the wheat was bought.

Since their governments did not cushion the wheat price increases of 1972/73, many consumers in the Caribbean region either substituted other products or simply went without. In most of those countries now, however, flour consumption has already returned to pre-1972/73 levels or is close to them.

The area has traditionally been a market for U.S. Dark Northern Spring wheats and is expected to remain so for some time—the bakers are accustomed to handling flours made from this wheat and do not readily accept change. Because high-protein varieties are relatively expensive, however, importers are considering lower protein Springs and Hard Red Winters for bread products.

As incomes increase, consumers in the Caribbean and Central America are looking to other wheat products, such as crackers, biscuits, and cookies. These are made from softer wheat than bread is, so the market for these classes of wheat is also growing. In addition, the growing popularity of pasta has resulted in increased demand for the Durum and bread wheats favored for its production.

Great Plains Wheat has initiated an extensive program to expand the market for U.S. wheat in the Caribbean/Central American area, emphasizing education and training for flour millers and bakers.

U.S. WHEAT AND WHEAT FLOUR [1] EXPORTS TO SELECTED CARIBBEAN AND CENTRAL AMERICAN COUNTRIES

Country	Volume		Value	
	1973/74	1974/75	1973/74	1974/75
	Metric tons	*Metric tons*	*1,000 dollars*	*1,000 dollars*
Dominican Republic	106,959	97,221	19,143	20,143
Haiti	32,583	52,786	5,632	12,036
Jamaica	97,844	86,516	17,097	17,104
Trinidad	68,307	93,563	13,139	25,212
Panama	35,205	57,331	6,618	11,544
Costa Rica	56,259	56,789	11,623	12,919
Nicaragua	39,627	37,728	6,527	7,106
El Salvador	65,201	61,046	12,016	13,007
Guatemala	50,292	79,420	8,614	15,952
Total	522,277	622,400	100,409	135,023

[1] In wheat equivalent.

*U.S. GOVERNMENT PRINTING OFFICE:1975 211-407/22 1-3